

Northeast Home Heating Oil Reserve Office of Fossil Energy

Overview

Appropriation Summary by Program

(dollars in thousands)						
	FY 2004 Comparable Appropriation	FY 2005 Comparable Appropriation	FY 2005 Base	FY 2005 Request	FY 2006 Request vs. Base	
					\$ Change	% Change
Northeast Home Heating Oil Reserve.....	4,939	4,930	4,930	5,325	395	+8.0%
Use of Prior –Year Balances.....	0	0	0	-5,325	-5,325	>999
Total, Northeast Home Heating Oil Reserve	4,939	4,930	4,930	0	-4,930	>999

Detailed Funding Table

(dollars in thousands)			
	FY 2004	FY 2005	FY 2006
Northeast Home Heating Oil Reserve.....	4,939	4,930	5,325
Use of Prior-Year Balances.....	0	0	-5,325
Total, Northeast Home Heating Oil Reserve.....	4,939	4,930	0

Preface

The Northeast Home Heating Oil Reserve is a permanent part of America’s energy readiness effort (separate from the Strategic Petroleum Reserves) assuring home heating oil supply for the Northeast states during times of very low inventories and significant threats to immediate further supply.

Strategic Context

Following publication of the Administration’s National Energy Policy, the Department developed a Strategic Plan that defines its mission, four strategic goals for accomplishing that mission, and seven general goals to support the strategic goals. Each appropriation has developed quantifiable goals to support the general goals. Thus, the “goal cascade” is the following:

Department Mission → Strategic Goal (25 yrs) → General Goal (10-15 yrs) → Program Goal (GPRA Unit) (10-15 yrs)

To provide a concrete link between budget, performance, and reporting, the Department developed a “GPRA^a unit” concept. Within DOE, a GPRA Unit defines a major activity or group of activities that support the core mission and aligns resources with specific goals. Each GPRA Unit has completed or

^a Government Performance and Results Act of 1993

will complete a Program Assessment Rating Tool (PART). A unique program goal was developed for each GPRA unit. A numbering scheme has been established for tracking performance and reporting.^b

The goal cascade accomplishes two things. First, it ties major activities for each program to successive goals and, ultimately, to DOE's mission. This helps ensure the Department focuses its resources on fulfilling its mission. Second, the cascade allows DOE to track progress against quantifiable goals and to tie resources to each goal at any level in the cascade. Thus, the cascade facilitates the integration of budget and performance information in support of the GPRA and the President's Management Agenda (PMA).

Mission

On July 10, 2000, the President directed the Department of Energy to establish a heating oil reserve in the Northeast capable of assuring home heating oil for the Northeast states during times of very low inventories and significant threats to immediate further supply. On March 6, 2001, Energy Secretary Abraham formally notified Congress that the Administration would establish the Reserve as a permanent part of America's energy readiness effort, separate from the Strategic Petroleum Reserve.

Benefits

Two million barrels of heating oil will protect the Northeast against a disruption for 10 days, the time required for ships to carry heating oil from the Gulf of Mexico to New York harbor for distribution. The Reserve was originally established in commercial facilities located in New York Harbor and New Haven, Connecticut. In 2001, the Secretary approved the relocation of 250,000 barrels of heating oil inventory from Connecticut to Rhode Island, giving the reserve additional truck and marine loading options.

Strategic Goal

The Department's Strategic Plan identifies four strategic goals: one each for defense, energy, science, and environmental aspects of the mission plus seven general goals that tie to the strategic goals. The Northeast Home Heating Oil Reserve appropriation supports the following goal:

Energy Strategic Goal: To protect our national and economic security by promoting a diverse supply and delivery of reliable, affordable, and environmentally sound energy.

General Goal 4, Energy Security: Improve energy security by developing technologies that foster a diverse supply of reliable, affordable and environmentally sound energy by providing for reliable delivery of energy, guarding against energy emergencies, exploring advanced technologies that make a fundamental improvement in our mix of energy options, and improving energy efficiency.

The programs funded within the Northeast Home Heating Oil Reserve appropriation have one Program Goal that contributes to the General Goals in the "goal cascade". This goal is:

Program Goal 04.58.00.00: Maintain operational readiness of the Strategic Petroleum Reserve to drawdown at a sustained rate of 4.4 million barrels per day for 90 days, within 15 days notice by the President. Maintain a 2 million barrel reserve of home heating oil in the U.S. Northeast. Utilize the NPR#3 as a testing and demonstration field for the Rocky Mountain Oilfield Testing Center's ongoing

^bThe numbering scheme uses the following numbering convention: First 2 digits identify the General Goal that (01 through 07); second two digits identify the GPRA Unit; last four digits are reserved for future use.

research. Continue closeout and equity finalization activities related to NPR#1 and finalize settlement to the State of California with respect to its claims to be “school lands”.

Contribution to General Goal

The Northeast Home Heating Oil Reserve contributes to General Goal 4 by assuring that it is maintained in a high state of readiness and capable of completing a drawdown of the heating oil inventory in 12 days. Assurance is measured by how quickly the program can respond to a Presidential direction to drawdown; how much of the inventory in storage is available; and the cost efficiency of operations.

Funding by General Goal

(dollars in thousands)			
	FY 2004	FY 2005	FY 2006
General Goal 4, Energy Security			
Program Goal 04.48.00.00, Petroleum Reserves.....	4,939	4,930	5,325
Total, General Goal 4 (Northeast Home Heating Oil Reserve)	4,939	4,930	5,325

Means and Strategies

The Northeast Home Heating Oil Reserve will use various means and strategies to continue its mission and achieve program goals. Assurance of a readiness posture will be accomplished through internal readiness reviews, assessments, exercises, and tests. Effectiveness of the Heating Oil Reserve to mitigate the economic damage of severe heating oil supply disruptions will be influenced by the Reserve's ability to deliver into the marketplace.

Validation and Verification

There is a hierarchy of performance information for the SPR. The Department collects & tracks the "critical few" measures. The SPR Program Office monitors limited, specific, short and long-term measures. The SPR Project Management Office manages the detailed, operational measures that are implemented by the contractors. Organizational and action plans are reviewed and analyzed at quarterly Program Reviews. Monthly Project Assessments and quarterly Project Reviews are conducted to analyze performance against all milestones and contracts. These reviews provide an opportunity to discuss performance and provide direction to contractors. These same measures are reviewed daily during the site managers' site status meetings. Budget formulation/ execution assessments are regularly conducted throughout the year, including annual budget validations. Other evaluations include: semiannual M&O contractor award fee performance assessments against Work Authorization Directives; on-site reviews to verify operational, maintenance and management performance data; and draw down readiness quarterly reviews.

Northeast Home Heating Oil Reserve

Funding by Site by Program

	(dollars in thousands)				
	FY 2004	FY 2005	FY 2006	\$Change	%Change
Northeast Home Heating Oil Reserve					
Amerada Hess	2,280	2,280	2,400	+120	+5.3%
Motiva (New Haven, CT)	600	600	600	0	0%
Morgan Stanley	1,200	1,200	1,200	0	0%
Motiva (Providence, RI)	600	600	600	0	0%
Strategic Petroleum Reserve Project Office.....	20	20	20	0	0%
Washington Headquarters.....	239	230	505	+275	120.0%
Total, NEHHOR.....	4,939	4,930	5,325	+395	+8.0%

Site Description

Amerada Hess (Woodbridge, NJ)

The Amerada Hess Terminal is located in the New York Harbor (Woodbridge, NJ) currently holds 1 million barrels of home heating oil.

Motiva (New Haven, CT)

The Motiva Terminal is located in New Haven, CT and currently holds 250,000 barrels of home heating oil.

Morgan Stanley (New Haven, CT)

The Magellan Terminal is located in New Haven, CT and currently holds 500,000 barrels of home heating oil.

Motiva (Providence, RI)

The Motiva Terminal is located in Providence, RI, and currently holds 250,000 barrels of home heating oil.

Strategic Petroleum Reserve Project Office

The project office is located in New Orleans, LA and administers the quality and management surveillance support from Defense Energy Support Center (DESC).

Washington Headquarters

The headquarters office located in Washington, DC handles development and maintenance of the Northeast Home Heating Oil Reserve bid platform and other technical and management support to maintain readiness.

Northeast Home Heating Oil Reserve

Funding Profile by Subprogram

	(dollars in thousands)					
	FY 2004 Comparable Appropriation	FY 2005 Comparable Appropriation	FY 2005 Base	FY 2005 Request	FY 2006 Request vs. Base	
					\$ Change	% Change
Northeast Home Heating Oil Reserve.....	4,939	4,930	4,930	5,325	395	+8.0%
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Total, Northeast Home Heating Oil Reserve	4,939	4,930	4,930	0	-4,930	>999

Public Law Authorization:

P.L. 94-163, “Energy Policy and Conservation Act” (FY 2003)

Mission

The Northeast Home Heating Oil Reserve assures a home heating oil supply for the Northeast states during times of very low inventories and significant threats to immediate further supply. The Reserve is a permanent part of America’s energy readiness effort, separate from the Strategic Petroleum Reserve. The current structure of the Northeast Home Heating Oil Reserve is:

Location	Amount of Distillate	Distribution Capability (minimum contractual capabilities)
Amerada Hess (NY harbor)	1,000,000 BBL	100,000 BPD
Motiva (New Haven, CT)	250,000 BBL	25,000 BPD
Morgan Stanley (New Haven, CT)	500,000 BBL	50,000 BPD
Motiva (Providence, RI)	250,000 BBL	25,000 BPD

Benefits

Two million barrels of heating oil will protect the Northeast against a disruption for 10 days, the time required for ships to carry heating oil from the Gulf of Mexico to New York harbor for distribution. The Reserve was originally established in commercial facilities located in New York Harbor and New Haven, Connecticut. In 2001, the Secretary approved the relocation of 250,000 barrels of heating oil inventory from Connecticut to Rhode Island, giving the reserve additional truck and marine loading options.

Detailed Justification

(dollars in thousands)

	FY 2004	FY 2005	FY 2006
Northeast Home Heating Oil Reserve.....	4,939	4,930	5,325

Continues operation of the Reserve, including lease of commercial storage space, and administrative support from the Defense Energy Support Center. Activities are funded with prior- year balances.

FY 2004 and FY 2005 activities include storage leases, program administration, and mock sales exercises with industry participation to test and evaluate the sales processes, procedures and on-line system.

Total, Northeast Home Heating Oil Reserve.....	4,939	4,930	5,325
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Explanation of Funding Changes

Northeast Home Heating Oil Reserve

FY 2006 vs. FY 2005 \$ (000)

▪ Increase in storage costs and administrative costs.....	<u>+395</u>
Total Funding Change, Northeast Home Heating Oil Reserve.....	+395